

Title 4 – DEPARTMENT OF ECONOMIC DEVELOPMENT
Division – Division of Credit Unions
Chapter 2 – State Chartered Credit Unions

PROPOSED AMENDMENT

4 CSR 100-2.040 Loans. The director of the Division of Credit Unions proposes amending this rule by amending the purpose, deleting current sections (1), (2), (3), and (4), adding a new section (1), and renumbering current sections (5), (6), and (7).

PURPOSE: This proposed amendment deletes requirements concerning how specific documents are to be prepared and codifies the requirement, currently implemented as part of the examination process, of maintaining current written lending policies.

4 CSR 100-2.040 Loans

PURPOSE: [In order to protect the consumer borrower as well as the lending credit union, this rule establishes the minimum requirements to be met for all credit union loans (see sections 370.140(1), 370.220(4) and 370.310, RSMo for statutory requirements).]

This rule establishes the requirement of maintaining current written lending policies and establishes requirements concerning loans to certain credit union officials.

(1) Each credit union will maintain current written lending policies. Written lending policies will be sufficiently detailed to adequately address all lending activities and products. [All notes and security agreements must be completely filled out in detail.

(2) Security must be stated on note and listed on security agreement in sufficient detail for identification.

(3) All such instruments shall be typed or in ink.

(4) It is highly recommended that signatures be witnessed on notes, security agreements and financing statements.

(5)] **(2)** No member of the board of directors or of the supervisory or credit committee shall enter into loan contracts with the credit union where the total loans outstanding at any one (1) time shall exceed twenty-five thousand dollars (\$25,000), except for loans secured by mortgages on primary and secondary borrower-occupied residences, negotiable securities, licensed motor vehicles (licensed motor vehicle shall be defined as a noncommercial vehicle licensed to operate on a highway or waterway) or shares. It is recommended that employees of the credit union shall be subject to similar loan restrictions.

(6) **(3)** In processing the loan application of a member of the board of directors or of the credit or supervisory committee where the official makes application to the credit union of which s/he is an official--

(A) The loan application to be approved must receive the majority approval of the members of the credit committee present at the meeting at which the loan application is considered; or

(B) The loan application must be approved by the loan officer in the manner provided in the Credit Union Act and the bylaws of the credit union adopted and where the loan is so approved.

(7) **(4)** When a member of the board of directors or of the credit or supervisory committee makes application to the credit union of which she is an official--

(A) The approval of the loan application shall be reported at the next regularly scheduled meeting of the board of directors. The minutes of the meeting of the board shall include number of the account, name of applicant and amount of loan;

(B) An application for an increase in the credit limit of a previously approved line of credit or credit card loan is considered a new application which, if approved, shall be reported to the board. Periodic advances on a previously approved and properly reported line of credit or credit card loan shall not be considered a new application if the previously approved credit limit is not exceeded;

(C) Any loan to a member of the board of directors or to a member of the supervisory or credit committee that becomes sixty (60) days or more delinquent shall be reported to the board of directors by the president or manager at the next board meeting following the discovery of the delinquency. That report shall be recorded in the board minutes. The board then shall act to make appropriate arrangements to bring the loan(s) current. Arrangements to bring the loan current shall be on terms no more favorable than those available to other members and be acceptable to the director of the Division of Credit Unions. In no event shall a loan to an official become more than ninety (90) days delinquent nor shall any loan remain in a delinquent status more than one hundred eighty (180) days;

(D) No director or member of the credit or the supervisory committee in any manner, directly or indirectly, shall participate in the deliberation of any question affecting his/her application for a loan; and

(E) These provisions also are applicable to officials who enter into contracts for a loan(s) as co-makers.

Auth: section 370.100, RSMo [1986] **2000**. * Original rule filed Jan. 15, 1968, effective Jan. 25, 1968. Amended: Filed Sept. 14, 1972, effective Sept. 24, 1972. Amended: Filed Dec. 15, 1975, effective Dec. 25, 1975. Amended: Filed June 8, 1976, effective Sept. 11, 1976. Emergency amendment filed Feb. 14, 1984, effective Feb. 24, 1984, expired June 23, 1984. Amended: Filed March 12, 1984, effective June 11, 1984. Amended: Filed May 4, 1987, effective July 23, 1987. Amended: Filed Oct. 12, 1988, effective Feb. 11, 1989. Amended: Filed Oct. 11, 1991, effective March 9, 1992.

*Original authority 1939, amended 1945, 1945, 1949, 1959, 1967, 1972.

PUBLIC COST: This proposed amendment will not cost state agencies or political subdivisions more than \$500 in the aggregate.

PRIVATE COST: This proposed amendment will not cost private entities more than \$500 in the aggregate.

*NOTICE TO SUBMIT COMMENTS: Anyone may file a statement in support of or in opposition to this proposed amendment with the Division of Credit Unions, John P. Smith, Director, P.O. Box 1607, Jefferson City, MO 65102. To be considered, comments must be received within thirty days after publication of this notice in the **Missouri Register**. No public hearing is scheduled.*